

Understanding the Comprehensive Annual Financial Report (CAFR)

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Objectives

- Basic components of the CAFR
- Key elements / indicators of financial trends and overall financial health of the City

Basic Components of the CAFR

Introductory Section

- Includes the transmittal letter
 - Discussion of the nature of the City's operations, key indicators about the local economy, major initiatives of the City, and key financial policies

Financial Section

- Independent Auditors' Report
- Management's Discussion & Analysis
- Financial Statements and Footnotes
- Required Supplementary Information

Management's Discussion & Analysis

- Page A-3
- Financial highlights
- Overview of the City's funds
- Financial analysis of the City's government-wide financial statements
 - Changes in assets, liabilities, revenues and expenses – comparison of current vs. prior year

Management's Discussion & Analysis

- General fund budgetary highlights
- Capital assets overview
- Debt administration overview

Financial Statements

- Government-wide financial statements
- Fund financial statements
- Budgetary statements
- Notes to the financial statements

Government-wide Financial Statements

- Pages A-15 to A-17
- Report governmental activities and business type activities in total
- Excludes fiduciary funds (i.e., excludes the pension funds)
- Reflects all economic resources
 - Includes all long-term assets and liabilities

Government-wide Statements: Statement of Net Assets (A-15)

- What does the government own, and what does it owe?
- What's left over after all liabilities are paid? (net assets)
 - Is this money the government can spend?

Government-wide Statements: Statement of Net Assets (A-15)

- What does the statement really tell me about the government?
 - Overall financial condition: Ability to meet obligations as they come due and finance the services its constituency requires
 - Current assets vs. current liabilities (liquidity)
 - Long-term viability (solvency): Degree to which assets are financed through borrowing – i.e., extent to which assets will be needed to satisfy debts rather than be available for providing public services
 - Trend data from prior years: See the MD&A or the Statistical Section

Government-wide Statements: Statement of Activities (A-16)

- Starting point: Total cost of governmental services by function (i.e., expenses)
- What program revenues does the entity generate to support its services?
 - Charges for services
 - Grants and contributions
- Net cost of services = taxpayer burden
- Change in net assets (equivalent of net income in a for-profit entity)

Government-wide Statements: Statement of Activities (A-16)

- What does this statement tell me?
 - The cost of providing services
 - The tax burden on citizens to finance services
 - Degree to which each functional area requires taxes or general revenues for financing
 - Whether the government is raising enough resources to finance its operations
 - Diversity of revenues and trends over past years can demonstrate exposure to financial difficulty if a source of revenue dries up.
 - Did the government finance that year's services with revenues from that year (intergenerational equity)?
 - See MD&A and Statistical Section for trend data.

Fund Financial Statements

- Pages A-18 to A-35
- Reported by fund type (governmental, proprietary, fiduciary)
 - Focus on “major” funds
 - Demonstrates fiscal accountability
- Governmental funds: Current financial resources focus
- Proprietary funds: Look similar to government-wide statements

Fund Financial Statements

- Governmental funds:
 - General fund
 - Special revenue funds
 - Capital-project funds
 - Debt-service fund
 - Permanent funds
- Proprietary / business-type funds:
 - Enterprise funds
 - Internal service funds
- Fiduciary funds

Fund Financial Statements

Governmental funds:

- Balance sheet (A-18)
- Statement of revenues, expenditures and changes in fund balance (A-20)

Proprietary funds:

- Balance sheet (A-24)
- Statement of revenues, expenses and changes in net assets (A-28)
- Statement of cash flows (A-30)

Budgetary Statements

- Reported for each individual fund, with focus on compliance with legal budget and cash-basis laws
- Comparison of:
 - Original budget vs. final budget
 - Actual results vs. final budget
- General Fund: A-23
- Other governmental funds: B-18 to B-46
- Enterprise funds: C-4 to C-6
- Internal service funds: D-5 to D-7

Budgetary Statements

- Focus is on current year, cash received and spent or obligated
 - Ensure and demonstrate accountability
- Reflects current public policy priorities
- Are current resources sufficient to meet current service costs?

Notes to the Financial Statements (A-37)

- Summary of significant accounting policies
- Cash & investments held by the City
- Pension funds
- Other post-employment benefits (i.e. health care)
- Debt outstanding and future maturities
- Other long-term obligations (landfill closure / post-closure, pollution remediation)
- Contingencies & commitments

Required Supplementary Information (A-80)

Schedules of funding progress for:

- Pensions
- Other post-employment benefits

Statistical Section

- 10-year trend data:
 - Net assets & changes in net assets (govt.-wide statements) (H-2 to H-7)
 - Fund balance & changes in fund balance (fund financial statements) (H-8 to H-11)
 - Revenues by source (H-14)
 - Expenditures by function (H-14)
 - Assessed property values (H-16)
 - Property tax rates (H-17)

Statistical Section

- 10-year trend data:
 - Tax levies & collections (H-19)
 - Debt per capita (H-21 & H-23)
 - General bonded debt outstanding (H-21 & H-23)
 - % of debt service expenditures to total governmental expenditures (H-23)
 - Legal debt margin (H-25)
 - Pledged revenue coverage for revenue bonds (H-28)

Statistical Section

- Top 10 property taxpayers and principal employers now vs. 9 years ago (H-18)
- Population (H-27)
- Per capital personal income (H-27)
- Operating indicators (H-30)
- City government employees by function (H-31)

Key Elements / Indicators

What Are the Users Asking?

- Were current-year taxes and other revenues sufficient to cover cost of current-year services?
- What resources support programs?
- What are the spending priorities?
- Did the government's ability to provide services improve or deteriorate from the previous year?
- Does the government have capacity to meet future obligations?
- What resources are available for future expenditures?

Creditors

- Creditors are interested in information on the ability to repay debt.
 - Government creditors focus on the government's ongoing ability to raise taxes and costs of activities that could compete for those resources.
- Return on investment (business) vs. sustainability of the level of services and ability to meet future levels of demand for services (government)

Key Elements / Indicators: Support of Services

What does it cost to provide services, and where does the revenue come from to finance the costs?

- Statement of Activities: Page A-16
- Statistical section: Pages H-4 and H-5 for 10-year trend data
- Budgetary statements

Key Elements / Indicators: Support of Services

How viable is the City's primary revenue (property taxes)? How have rates changed over time? Is the City doing a good job of collecting its taxes?

- Statistical section: Pages H-16 to H-19

Key Elements / Indicators: Debt

How has outstanding debt grown?

- Statistical section: Pages H-20 to H-25

What does it cost to repay long-term debt?

- Statistical section: Pages H-10 and 11, debt service as a % of noncapital expenditures
- Statistical section: page H-23, ratio of debt service to government expenditures (GO bonded debt only)

Key Elements / Indicators: Debt

What resources will be needed in the future to repay debt?

- Note 9, page A-61, annual debt service requirements
- Additional Information Section

Is the City raising sufficient revenues to repay its revenue-backed debt?

- Statistical section: page H-28

Key Elements / Indicators:

Other Long-term Obligations

What other long-term obligations has the City made for retirement benefits, health care, pollution remediation, landfill closure / post-closure care?

- Pensions: Note 7 to the financial statements, page A-54
- Post-employment health care (OPEB): Note 8, page A-59
- Pollution remediation: Note 9G, page A-66
- Landfill: Note 9E, page A-64

Key Elements / Indicators: Other Long-term Obligations

Is the City keeping up with its required contributions?

- Pensions: See Schedule of Employer Contributions in Note 7, pages A-56 and A-57
- OPEB: See Schedule of Employer Contributions in Note 8, page A-60
- Both: See Schedules of Funding Progress (actuarially determined) in Required Supplementary Information, page A-80

Key Elements / Indicators: Available Resources

What resources can a government use to provide services in the future? Are there any limitations on how those resources can be used?

- Statistical section: Page H-2, 10-year trend in net assets
- Fund financial statements: Page A-18, Governmental Funds Balance Sheet – Fund Balances
- Unrestricted vs. Restricted amounts
- General fund unrestricted fund balance

Questions?

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